

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: PCB WMC 17-05 Corporate Income Tax
SPONSOR(S): Ways & Means Committee
TIED BILLS: **IDEN./SIM. BILLS:**

| REFERENCE | ACTION | ANALYST | STAFF DIRECTOR or BUDGET/POLICY CHIEF |
|-------------------------------------|-----------|---------|------------------------------------------|
| Orig. Comm.: Ways & Means Committee | 18 Y, 0 N | Dobson | Langston |

SUMMARY ANALYSIS

Florida imposes a 5.5 percent tax on the taxable income of corporations and financial institutions doing business in Florida. The taxable income Florida uses to calculate corporate income tax owed is based on the taxable income reported for federal taxation purposes. Florida updates its utilization of the Federal Internal Revenue Code by adopting the code as it exists on January 1 in any given year. Adopting the code on an annual basis ensures the Florida tax code reflects any relevant changes to the IRS code that were made during the prior year.

The bill takes effect upon becoming law and operates retroactively to January 1, 2017.

The Revenue Estimating Conference concluded that the bill will have an impact on state revenues that is indeterminate in both direction and magnitude.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Federal Tax Code Conformance—"Piggyback"

Current Situation

Florida levies a 5.5 percent tax on the taxable income of corporations and financial institutions doing business in Florida.¹ Florida utilizes the taxable income determined for federal income tax purposes as a starting point to determine the total amount of corporate income tax due.² This means that a corporation paying taxes in Florida receives the same treatment when determining taxable income for state taxation purposes as it does when determining taxable income for federal tax purposes.

Florida maintains its relationship with the federal Internal Revenue Code by annually adopting the federal the Code as it exists on January 1.³ By doing this, Florida adopts any changes related to determining federal taxable income that were made during the previous year.

Proposed Changes

The bill updates the Florida tax code to reflect congressionally enacted changes to the Internal Revenue Code as of January 1, 2017.

B. SECTION DIRECTORY:

Section 1. Adopts the Internal Revenue Code as it existed on January 1 2017, for purposes of the Florida tax code.

Section 2. Provides for retroactivity and effective date.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

On March 17, 2017, the Revenue Estimating Conference established that adopting the January 1, 2017 version of the IRS code will have an impact on state revenues that is indeterminate in both direction and magnitude.

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

¹ Section 220.11(2), F.S.

² Section 220.12, F.S.

³ See s. 220.0, F.S.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Maintaining the linkage between the federal and Florida tax codes will simplify compliance for Florida corporate income tax payers.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not applicable.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES